GN9(ROI): RETIREMENT BENEFIT SCHEMES - ACTUARIAL REPORTS

Classification

Practice Standard

MEMBERS ARE REMINDED THAT THEY MUST ALWAYS COMPLY WITH THE PROFESSIONAL CONDUCT STANDARDS, AND THAT GUIDANCE NOTES IMPOSE ADDITIONAL REQUIREMENTS UNDER SPECIFIC CIRCUMSTANCES.

Legislation or Authority

The Pensions Act 1990 ('the Act') and Regulations issued from time to time in relation to that Act.

Application

Any actuary responsible for preparing an actuarial report when a retirement benefit scheme is set up, or at intervals thereafter when an actuarial report is to be prepared.

Version	**Effective from**
1.0	01.09.1994
1.1	01.10.2004

1. INTRODUCTION

1.1 These guidelines apply to actuarial reports which are prepared on a valuation of a retirement benefits scheme when such a scheme is set up and at intervals thereafter. Such reports include those on valuations which are required under the Act, as amended, to which reference is made in this note.

1.2 The guidelines relate primarily to defined benefit schemes where the ultimate costs are initially unknown but the guidelines should also be followed as far as possible where actuarial reports are required for other types of schemes.

1.3 The guidelines apply to retirement benefits schemes established in the Republic of Ireland.

2. PURPOSE OF THE GUIDELINES

2.1 The purpose of the guidelines is to ensure that the reports contain sufficient information to enable the expected future course of a scheme's contribution rate and funding level to be appreciated. It is not intended to restrict the actuary's freedom of judgement in choosing the method of valuation and the underlying assumptions.

2.2. While an actuarial report will be addressed to the actuary's client, normally the trustees or the employer, the actuary needs to bear in mind that his advice may be made available to third parties who can reasonably be expected to rely on it. In connection with actuarial reports which trustees are required to have prepared under the Act, the Occupational Pension Schemes (Disclosure of Information) Regulations, 1991 (S.I. 215 of 1991) ('the Disclosure Regulations') specify the third parties to whom, on request, trustees must make reports available.

3. THE REPORT

3.1 The items in the following list are normally to be regarded as essential components of any report. Other information may often be desirable and suitable explanations of some features may be very important, for example the effect on the funding level of an improvement in benefits with retroactive effect.

Basic Information

3.1.1 An opening statement showing to whom the report is addressed, the purpose for which the valuation is made and the dates as at which the current valuation and, if applicable, the immediately preceding valuation were conducted. If the valuation is being carried out under Section 56 of the Act, this fact should be stated.

3.1.2 A statement of benefits which have been valued (for example, by a summary of the terms of the scheme or by reference to appropriate documents). Reference should be made to the extent to which allowance has been made for discretionary increases in benefit especially where there has been a recent practice of granting such increases.

3.1.3 A brief summary of the data on which the investigation is based including a description of the assets. The actuary must make whatever enquiries he considers appropriate to satisfy himself that he has been supplied with all the relevant data and information. Section 54 (4) of the Act obliges both the employer and the trustees to comply with any requests from the actuary to furnish him with such information as he may reasonably require to enable him to carry out his functions under the Act. If the actuary has any reservations as to the reliability of the data, such explanation or qualification as is appropriate should be given. In particular, if audited accounts or the alternative trustees' report under article 7 of the Disclosure Regulations, as appropriate, are not available as at the date of the valuation, this fact should be stated.

Inter-valuation Period

3.1.4 A statement of the rates of contribution payable during the inter-valuation period; and a commentary on any material developments during such period and on any significant variations in experience from the assumptions made at the previous valuation.

Funding Objectives

3.1.5 An explanation of the funding objectives and of the method being employed to achieve those objectives. The implications in terms of stability of contribution rates and of future funding levels should also be explained.

Valuation Assumptions and Method

3.1.6 A statement of the assumptions made in valuing both the liabilities and the assets and of the methods employed in deriving the contribution rate in 3.1.8 below. Attention should be directed particularly to those assumptions to which the contribution rate is sensitive.

3.1.7 Comments on the compatibility of the basis of valuing the assets with that of valuing the liabilities. The actuary should also comment on the sensitivity of the scheme's funding position to future investment market changes . Such comments must have particular regard to the relationship between the assets held and the form and incidence of the liabilities and must seek to convey a reasonable understanding of the nature and extent of the investment risk. Where relevant and significant, attention should be drawn to such aspects as concentration of assets, currency mismatching and levels of self-investment.

Contribution Rate

3.1.8 The contribution rate recommended to achieve the funding objectives, the relevant earnings to which such rate should be applied (if appropriate) and the timing/frequency of contribution payments. If the funding objectives imply a changing contribution rate (as a percentage of the relevant earnings), an indication as to the extent and timing of such change should be given.

Discontinuance Funding Level

3.1.9 A statement as to whether or not, in the actuary's opinion, the assets would have been sufficient at the valuation date to cover liabilities arising (including any dependants' contingent benefits) in respect of pensions in payment, accrued/preserved benefits for members whose pensionable service has ceased and accrued benefits for members in pensionable service, the last of which will normally be related to pensionable service to, and pensionable earnings at, the date of valuation including revaluation on the statutory basis (or on such higher basis as has been promised). The accrued benefits of all active service members should be included irrespective of preservation legislation or any vesting requirements in the scheme rules.

3.1.10 The purpose of this statement is to give an indication of the accrued solvency position of the scheme were the scheme to discontinue at the valuation date. The actuary should adopt an approach which is consistent with this principle.

3.1.11 According to the actuary's judgement and the nature of the scheme, the statement may be based on:

(a) the normal valuation basis;

(b) the estimated cost of purchasing deferred and/or immediate annuities from a life office; or

(c) assets valued at market value and an assumption that liabilities would be discharged by the making of a payment or payments to another scheme or to a 'buy-out bond', with such payment or payments being equal to the actuarial value of the benefits payable under the rules of the scheme on winding up (subject to any overriding provisions of Section 48 (b) of the Act).

The approach used must be disclosed and, if it be the case, it should be pointed out that the value of the liabilities does not represent the cost required to secure the liabilities of the scheme as contained in its winding up rule were the scheme to wind up as at the date of the valuation.

3.1.12 The actuary may be completing an actuarial funding certificate required under the Act at the same time as completing his actuarial report. Where appropriate, the statement may be made by reference to the funding standard contained in the Act.

3.1.13 The funding standard in the Act does not require discretionary benefits to be taken into account. Where the actuary has been instructed, however, to take discretionary benefits into account for the purposes of incoming or outgoing transfer values [as per GN11(ROI)] and the scheme would not satisfy the funding standard if account were to be taken of such benefits, it may be appropriate to refer to this fact in the report.

3.1.14 If there is any shortfall in the coverage, an indication of the degree of shortfall should be given having regard to the priorities attaching to various categories of benefits on winding up as specified in the rules subject to any overriding provisions of the Act.

Ongoing Funding Level

3.1.15 A statement as to the ongoing funding position including, where relevant, a comparison between assets and liabilities, the latter with pensionable earnings projected where appropriate to normal retirement date, if this is not otherwise conveyed by the comments on the funding objectives and the contribution rate.

General

3.1.16 A statement as to whether the valuation has been prepared in accordance with GN9(ROI) current at the date of signature of the valuation report. Any material departures from GN9(ROI) should be indicated. The actuary is expected, however, to comply with GN9(ROI) unless in exceptional circumstances he is convinced that full compliance would be inappropriate, in which case he should give a complete explanation.